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Mexico

Market Development Reports

The Mexican Market for Fruit and Vegetable Juices 2004

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Report Highlights:

The Mexican market for fruit and vegetable juices has grown over the past five years, though most of the market is satisfied by local production. Imports comprise about 4 percent of domestic consumption and the US import market share is 74 percent. Innovative products and new juice blends hold the most potential for market growth.

Includes PSD Changes: No
Includes Trade Matrix: No
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SECTION I. Market Overview

The Mexican market for processed fruit and vegetable juices has had slow but steady growth over the past 5 years. The processed fruit and vegetable juice sector has an estimated value of over \$880 million. Imports comprise between 3 to 5 percent of Mexican juice sales, and the US import market share is 74 percent.

The processed fruit and vegetable juice market is divided into three main categories. The main distinction is made by the “bricks percentage” (amount of fruit pulp) contained in the product:

1. Nectars: fruit drinks with high concentration of pulp of more than 20 percent.
2. Juices: fruit and vegetable drinks with a pulp concentration of 9 to 20 percent, and 30 percent or more of juice.
3. Fruit beverages: drinks with less than 30 percent content of fruit juice; depending on the flavor, the pulp concentration is between 1 to 8 percent.

Fruit based juices represent around 85 percent of the total market while vegetable varieties account for about 15 percent.

Table 1: Advantages and Challenges for US Exporters of Processed Fruit and Vegetable juices to Mexico

Advantages	Challenges
NAFTA has eliminated import duties for juice products from the United States	Imported products tend to be more expensive
US proximity to Mexico makes transportation costs lower than for other countries	Strong and growing domestic production offering quality products at competitive prices
Distribution networks for fruit juice has improved dramatically in recent years	A few large domestic juice manufacturers control over 60 percent of the market
Mexico has a potential consumer base of about 52 million under the age of 25; this group prefers healthier choices and natural flavors	Mexico is one of the largest consumers of carbonated beverages in the world and these are preferred over juices
US products are viewed as high quality and innovative, i.e. new juice blends	Mexicans generally drink fresh squeezed juice instead of processed juice

SECTION II. Market Sector Opportunities and Challenges

a. Domestic Production

Competition from domestic producers is very strong; 250 fruit and vegetable juice processors account for over 95 percent of juice sales in Mexico. Nectars account for 40 percent of the production, followed by juices with 35 percent, and fruit drinks, 25 percent of production.

Production of fruit and vegetable juices is expected to grow at an annual average rate of over 10 percent. During 2003, total production of processed fruit and vegetable juices was estimated at \$937 million. Mexico exports around 10 to 12 percent of its processed fruit and vegetable juice production. It is estimated that during 2003 exports reached \$100 million.

Mexico's production by flavor is divided as follows:

- Orange 22 %
- Apple 17 %
- Peach 16 %
- Mango 15 %
- Grape 6 %
- Pineapple 4 %
- Other fruits 20 %

**Table 2: Mexican Production of Processed Fruit and Vegetable Juices
2000-2003e**

PRODUCT	2000	2001	2002	2003e
Millions USD				
Juices	199.8	210.3	231.3	254.4
Nectars	305.9	323.2	355.5	391.1
Specialties (mixes)	40.1	59.1	65.0	71.5
Fruit Drinks	143.8	182.2	200.4	220.5
TOTAL	689.6	774.8	852.2	937.5

e: Estimate

b. Imports and Foreign Competition

Imports account for 3 to 5 percent of Mexican juice sales. Imports from the United States have 74 percent import market share; Spain, 10 percent; Chile and Brazil, 8 percent. Imports of processed fruit and vegetable juice have fluctuated over the last three years reaching record \$34.8 million in 2001, dropping 10 percent to \$31.1 million in 2002, and recovering slightly to \$32.1 million in 2003. As the Mexican economy continues to improve, imports are expected grow at an annual average rate of 5 to 6 percent.

The strongest demand for imports is in the mixed fruit/vegetable segment, according to distributors. Growth in demand for these imports has been hovering around 20 percent in recent years, which far exceeds growth in the domestic market.

**Table 3: Mexican Imports of Processed Fruit and Vegetable Juices
2000-2003e**

TARIFF CODE NUMBER	PRODUCT DESCRIPTION	2000	2001	2002	2003e
Millions USD					
200911	Frozen Orange Juice	0.5	0.7	0.8	0.9
200912-19	Orange Juice	9.8	6.3	4.6	4.7
200921-29	Grapefruit Juice	2.7	1.2	1.1	1.2
200931-39	Other Citrus Fruit Juice	0.5	0.5	0.5	0.6
200941-49	Pineapple Juice	0.3	0.3	0.2	0.3
200950	Tomato Juice	0.3	0.1	0.1	0.2
200961-69	Grape Juice	0.9	1.4	1.3	1.4
200971-79	Apple Juice	4.6	7.5	5.3	5.4

200980	Other Fruit or vegetable Juices not mixed	4.0	5.4	4.1	4.2
200990	Mixtures of Fruit and/or Vegetable Juices	10.2	11.4	13.1	13.2
TOTAL		33.8	34.8	31.1	32.1

Source: World Trade Atlas and Mexican Secretariat of Economy Statistics
e: Estimate

d. Domestic Consumption and Market Structure

Mexicans prefer fresh squeezed over bottled juices. However, consumption of processed fruit and vegetable juices in Mexico is estimated at 5.5 liters of juice per capita, representing annual sales of over \$880 million.

According to members of the Mexican juice industry, the retail sector is the most important distributor of processed fruit and vegetable juices in Mexico. Almost 60 percent of processed juice sales are in the retail chains, and the largest retail chains are Walmart de Mexico, Comercial Mexicana, and Gigante. Since most retail chains do not import products directly, they source their imported products through local importers/distributors and wholesalers.

e. Mexico City Market Study

For the purpose of this report, a market survey was conducted in Mexico City with a group of 200 men and women. The survey discovered that 70 percent of the people interviewed drink bottled water, 20 percent consume soft drinks, and 10 percent drink juices.

For the 10 percent of Mexicans that drink juices, the following results were obtained:

- 90% of juice drinkers prefer to drink fresh squeezed juice over processed product
- 70% prefer juice packed in tetra-pack containers over bottled or canned
- 65% prefer packaging of 220–300 ml (7-10 oz) over larger packaging
- 28% prefer apple, 25% pineapple, 22% mango, 20% orange, 5% other
- 60% prefer juice to nectar

SECTION III. Entry Strategy

a. Business Culture

Personal relationships are of primary importance in Mexican business relationships because they attach great importance to courtesy in all business endeavors. The US concept of “time is money” should be left at the border because most Mexicans prefer to become better acquainted with their new business partner instead of “getting down to business”. Thus, a personal visit to Mexico is the best way to understand the market and make business contacts to formulate an entry strategy.

Several important points should be recognized in order to have success in the market:

- *Business is generally conducted in Spanish.* Assume business communication will be conducted in Spanish. A translator is acceptable to facilitate communication.

- *Personal face-to-face communication is critical.* Personal contact with buyers is essential to initiate business relations in Mexico. A fax or email is not considered appropriate for initial communication. After establishing the initial personal contact, a follow-up email or fax is appropriate. An in-country representative or periodic personal visits is important to continue relationship.
- *Importers/distributors are key to export sales in Mexico.* A good distributor should promote sales and make sure that the products are available at points of sale. They are important because they have the expertise to handle complicated regulations and can trouble-shoot problems that imports can face at the border.

b. Trade Services Available and Events

The Agricultural Trade Offices (ATOs) in Mexico are located in Mexico City and Monterrey. Their function is to assist US businesses to access the market by providing a variety of services such as: sponsoring US Pavilions in trade shows, provide information about local distributors, and arrange services from a contractor (Ag Aides) who can set up individual meetings in the country for a fee. For more information on available services, or to connect with our Ag Aides, please contact our ATO offices directly.

US firms should also consider using a variety of marketing tools to effectively distribute their products in Mexico. These promotional activities could include:

- Participating in trade shows,
- Preparing brochures and promotional materials in Spanish,
- Hosting technical seminars to inform end users, distributors, and retailers of new technologies, innovations and product advantages, and
- Being involved with the ATO who continuously organize marketing campaigns to support American companies exporting to Mexico.

Trade Events:

ABASTUR 2004

When: September 29 - October 1, 2004

Where: Centro Banamex, Mexico City

Contact: Lourdes Guzmán, US Agricultural Trade Office (ATO)-Mexico City

Tel: (011-5255) 5280-5291

Fax: (011-5255) 5281-6093

Email: lourdes.guzman@usda.gov

Web Page: www.feriasalimentarias.com

Show type: Mexico's largest Hotel and Restaurant show

EXPO INTERNACIONAL NATURISTA ANIPRON 2005

When: February 11-13, 2005

Where: WTC World Trade Center, Mexico City

Sponsor: Nutrisa

Contact: ANIPRON-Asociación Nacional de la Industria de Productos Naturales, A..C.

Lic. Andrea Olaide, Organizing Committee

Tel: (011-5255) 5665-5802 or 7790 or 6733

Fax: (011-5255) 5665-9248

Email: anipron@anirpon.org

Web Page: www.anipron.org

Show type: Mexico's largest show for natural and healthy products

BEBEREXPO 2005

When: February 22-24, 2005 (TBC)
 Where: Palacio de los Deportes, Mexico City
 Contact: Conexpro, Ms. Tere Sandoval, or Mr. Roberto Hernández
 Tel: (011-5255) 5682-8667
 Fax: (011-5255) 5523-1976
 Email: rhv@conexpro.com.mx
 Web Page: www.beberexpo.com
 Show Type: Mexico's largest beverages show in its 9th edition.

ANTAD 2005

When: March 11-13, 2005
 Where: Expo Guadalajara Convention Center, Guadalajara, Jalisco
 Contact: Carlos Zertuche, US Agricultural Trade Office (ATO)-Mexico City
 Tel: (011-5255) 5280-5291
 Fax: (011-5255) 5281-6093
 E-mail: carlos.zertuche@usda.gov
 Web Page: www.antad.org.mx
 Show Type: Mexico's largest retail and supermarket show

SECTION IV. Import Requirements¹**a. Tariffs and Taxes**

According to NAFTA import tariffs for the following processed fruit and vegetable juices reached zero on January 1, 2003.

Grapefruit Juice	2009.21-29
Other Citrus Fruit Juice	2009.31-39
Pineapple Juice	2009.41-49
Tomato Juice	2009.50
Grape Juice	2009.61-69
Apple Juice	2009.71-79
Other Fruit or vegetable Juices not mixed	2009.80
Mixtures of Fruit and/or Vegetable Juices	2009.90

Imports of orange juice (frozen and non-frozen) tariff codes 2009.11, 2009-12, 2009.19 are subject to quotas (especially frozen) and a special duties between \$.10 and \$.60 cents per liter apply depending on the "bricks content" once the quota has been exceeded.

Mexico has a 15 percent value-added tax (VAT, or IVA in Spanish). Mexican Customs collects the VAT on foreign transactions upon entry of the merchandise into the country. Customs brokers use the total figure to calculate their fees, which are usually 0.5 percent, on average, plus any storage and handling fees.

b. Import Requirements

Under NAFTA, Mexican imports of fruit juices do not require import permits. However, imports of fruit juices are subject to several official Mexican standards (NOMs). There are

¹ For a detailed study of Mexican Regulations for Exporting/Border Crossing, the Mexico Exporter Guide and Guide to Service Providers in Mexico see reports MX1205, MX3322, and soon to be release Service Provider report on FAS-USDA site: <http://www.fas.usda.gov/scripts/attacherep/default.asp>.

two kind of NOMs: the first kind details what requirements products must comply with; the second kind actually requires action by the producer to show their compliance with the NOM. Mexico's current regulatory process is based on its "Federal Law of Metrology and Standarization", originally published in Mexico's Diario Oficial (Federal Register) on July 1, 1992. Before introducing imported goods into Mexico, the importer/distributor has to prove that the products comply with the corresponding NOM. The NOMs that imported juices have to comply with are: NOM-002-SSA1-1994 "Environmental Health, Goods and Services", "Sealing Specifications for Metallic Food and Beverage Containers", and NOM-130-SSA1-1995 "Goods and Services. Sanitary Provisions and Specifications for Food Packaged in Hermetically Sealed Containers and Subject to Heat Treatment".

c. Labeling

Imported processed fruit and vegetable juices to be sold at retail must be labeled according to the Mexican government specifications NOM-051-SCFI-1994. Some US suppliers choose to develop special packaging for the Mexican market. At a minimum, a label must be affixed to each package of the imported product prior to entering the country. All the information on the label must be in Spanish and include the following data: ²

- Commercial/brand name
- Producer's name and address
- Exporter's name and address
- Country of origin (i.e. product from the US)
- Importer's name, address and RFC number (taxation number)
- Product description in Spanish
- Product description in English
- Preparation and handling instructions
- Net weight in metric units
- Date of expiration
- Ingredients
- Special warnings

For complete information the Federal law on Metrology and Normalization can be consulted in the following web page:

<http://cronos.cta.com.mx/cgi-bin/normas.sh/cgis/despresult.p?clave=NOM-051-SCFI-1994>

NOM-051-SCFI-1994, "General labeling Specifications for pre-packaged foods and non-alcoholic beverages". Under this NOM, nutritional information is voluntary, unless a nutritional claim is made. This NOM applies to most food items.

d. Cargo Unloading, Transport, and Storage Fees

Cargo unloading fees vary depending on the weight, number of pieces, type of merchandise and location. These fees are usually charged according to pre-established tables. In general, cargo-unloading fees in Mexico are slightly higher than those in the United States for comparable services.

Trucks are the most reliable method of delivery within Mexico, accounting for approximately 60 percent of cargo volume. Trucking companies cannot bring merchandise directly from the United States to Mexico. A US trucking company drives the shipment to the border and transfers its trailer to a Mexican rig. The best way to ship by truck is to use an

² For additional information on labeling NOMS, see Labeling Regulations report MX1223 on FAS-USDA site: <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

internationally bonded carrier that has relationships with Mexican carriers. Mexican trucking companies generally determine their fees by mileage or distance, weight, and type of merchandise. Practically all transport companies/freight forwarders offer a basic insurance plan, which covers transport and handling of cargo. When selecting a transporter it is recommended to check their claim history and complaints they might have received. Though trucks are more expensive than shipping via "Container in Flat Car" (COFC) or "Trailer Flat Car" (TOFC), transportation fees are lower in Mexico by as much as 10 percent.

Warehousing costs vary depending on the space required and any specific product needs. Average monthly meter squared warehouse rental fees in Mexico City are around \$3.60, \$3.00 in the Guadalajara area, and approximately \$3.20 in Monterrey and surrounding areas. In bond storage facilities are a popular storage method used by exporters by which duties are paid on the items stored until they are released from the facility for distribution in the market. Any merchandise placed in a warehouse should be insured. A basic insurance policy can be secured from the warehouse administrator or a more comprehensive policy from a private insurance company.

SECTION V. Key contacts and further information

US Agricultural Trade Office, Mexico City

Bruce Zanin, Director
Jaime Balmes No. 8-201
Col. Los Morales Polanco
11510 Mexico, D.F.
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Government and associations:

Official Company Registry: www.siem.gob.mx/portalsiem
INEGI (Census Office): www.inegi.gob.mx
Bancomext (Foreign Trade Bank): www.bancomext.com
Secretariat of Health: www.ssa.gob.mx
Secretaría de Economía: www.economia.gob.mx

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Tel.: (011-5255) 5424-5630

Fax: (011-5255) 5424-5630

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Web Page: www.anipron.org

ANTAD-Asociacion Nacional de Tiendas de Autoservicio y Departamentales

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11560 Mexico, D.F.

Tel.: (011-5255) 5580-1772, 5580-0641

Fax: (011-5255) 5395-2610

Web Page: www.antad.org.mx

Private sector (processors and distributors)**Frugosa, S.A. DE C.V. (Jumex)**

Km. 25 Ant. Carr. Mexico-Pachuca

Col. Tustica Xalostoc

55340 Ecatepec, Estado de Mexico

Tel: (011-5255) 5775-1050

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Jugos del Valle

Ejercito Nacional No. 904

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11510 Mexico, D.F.

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